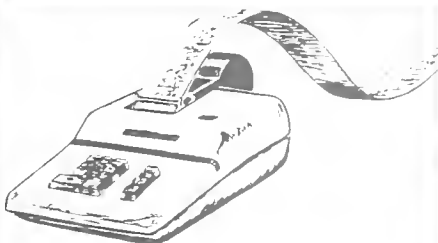


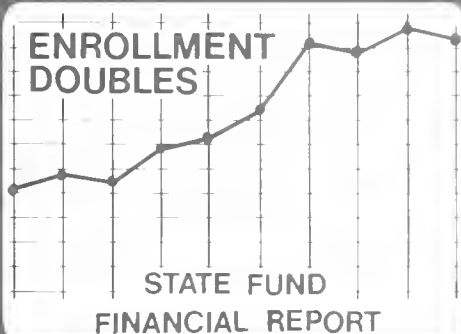
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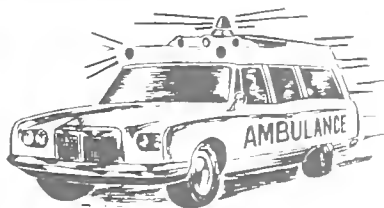
OVERVIEW



DIVISION FINANCIAL
REPORT



WORK INJURY REPORT



JAN 28 1975

STATE DOCUMENTS

ANNUAL REPORT OF THE DIVISION OF WORKMEN'S COMPENSATION

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WORK INJURY REPORT

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INTRODUCTION

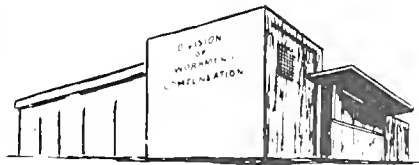
This is the Division of Workmen's Compensation's first consolidated annual report. In the past the Division prepared a financial report, a statistical report and the annual report to the Governor. This report includes summary information from the annual report to the Governor, and financial and statistical data relative to the operations and activities of the Division and the State Insurance Fund. The report was designed not only to serve the needs of Executive and Legislative officials but to provide meaningful information to insurance companies, employers, employees and the general public. The purpose is to better explain the Division's organization, program structure, goals and accomplishments; to report the financial results of the Division's operations for the fiscal year ending June 30, 1974; to express the financial soundness of the State Insurance Fund and to provide statistical data on the type and nature of industrial injuries.

Consequently, the report includes the following four sections:

I) Overview; II) Division Financial Reports; III) State Fund Financial Reports; and IV) Work Injury Report. Each section provides unique information relative to the Division's responsibility and activity.

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OVERVIEW

OVERVIEW

AGENCY RESPONSIBILITY

The Division administers the Workmen's Compensation Act of Montana and several related statutes. This responsibility includes prevention of industrial accidents, administration of the State Insurance Fund, monitoring of the claims handled by private insurance carriers and self-insurers, administration of the State industrial safety and health standards and providing industrial rehabilitation services.

The primary goals of the Division are to reduce preventable accidents and to provide prompt and reasonable income and medical benefits to injured workmen.

The major objectives of the Division are to:

1. Provide a speedy remedy for industrially injured workers.
2. Encourage maximum employer interest in safety and rehabilitation.
3. Promote frank study of causes of accidents, reducing preventable accidents and human suffering.
4. Administer the provisions of the Montana Safety Act and related statutes.

The Division operates four programs to carry out its goals and objectives. The following briefly describes the functions of these programs.

The Administration Program includes two general functions: Management of the Division, and administrative support services for the Division.

The Administrator, by statute, provides overall management and leadership to the Division with the assistance of the Legal Counsel, Audit Unit, Rehabilitation Unit and Hearings Unit.

The Centralized Services Bureau provides administrative support which includes accounting, data processing, statistics, microfilming, systems analysis, mail processing, personnel administration and public information services.

The State Fund Program provides workmen's compensation insurance to Montana employers, one of the three methods by which they can obtain coverage as required by the Act. The State Fund enrolls employers applying for workmen's compensation coverage and processes claims submitted by injured employees.

The Compliance Program oversees the processing of claims filed by injured employees of employers who have coverage through private insurance companies or who are self-insured. Personnel in the Compliance Bureau review the actions taken by insurance companies and self-insurers to assure uniform prompt delivery of benefits in accordance with the Act. In addition, the program administers the Silicosis and Volunteer Firemen's Fund benefits.

The Safety and Health Program was responsible for the inspection of all Montana employers for compliance with the Federal Occupational Safety

and Health Act (OSHA) during Fiscal Year 1974. As of July 1, 1974, the Federal government inspects employers covered by OSHA. Presently, program personnel inspect the operations of coal, metal and nonmetal mining, logging, oil well drilling, and public agencies for compliance with health and safety standards. In addition, advisory inspections are performed for employers covered under OSHA. The Safety and Health Program also inspects and approves the operation of boilers, licenses boiler and crane operators, certifies coal mine foremen, and conducts training courses in the field of safety and health.

AGENCY ORGANIZATION AND AUTHORITY

PRINCIPAL ADMINISTRATIVE PERSONNEL

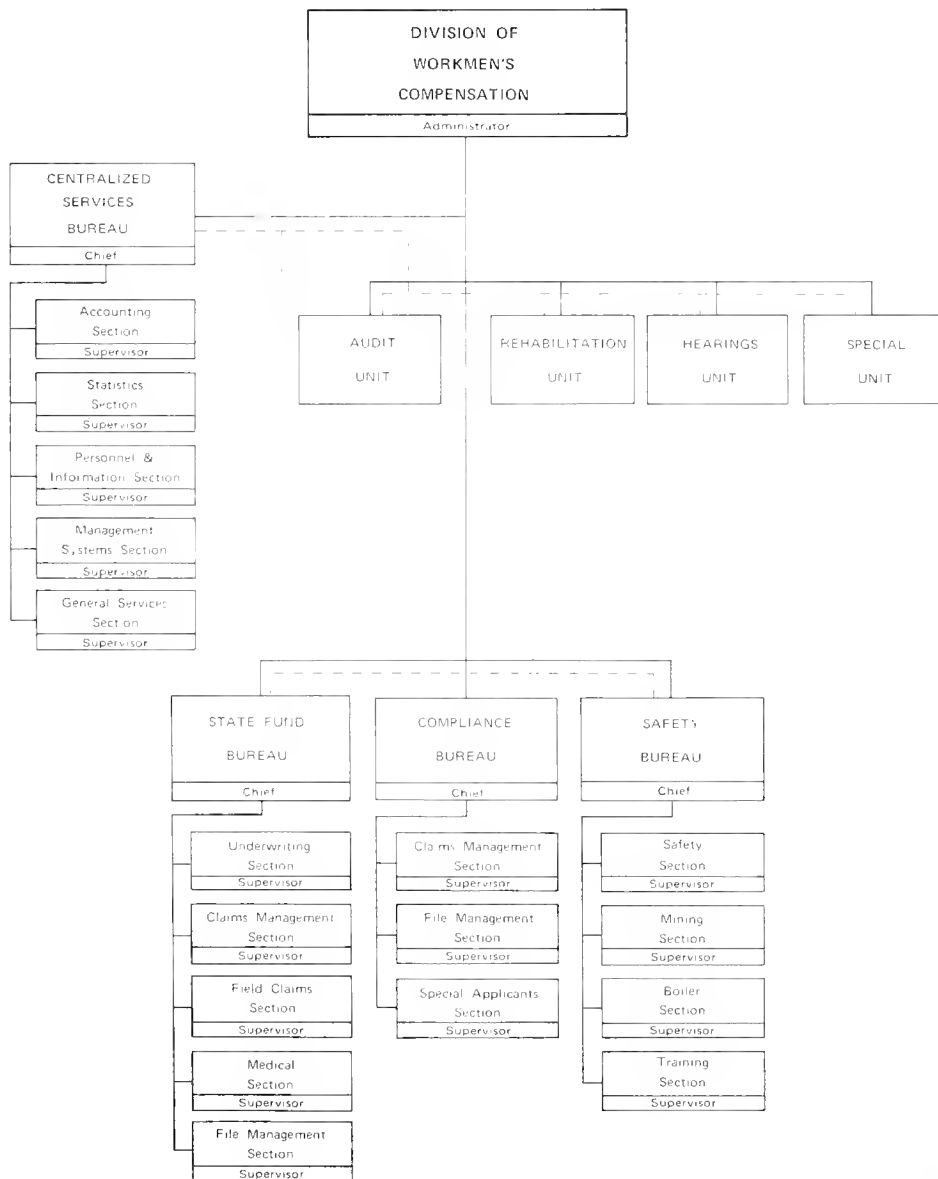
Lawrence M. Zanto.....Administrator
Norman H. Grosfield.....Chief Legal Counsel
John C. Harrison.....Supervisor Rehabilitation Unit
Kenneth Squires.....Supervisor, Audit Unit
James J. Murphy.....Chief, Centralized Services Bureau
Kenneth D. Myers.....Supervisor, Personnel and Information
John L. King.....Supervisor, Statistics Section
A. L. Kirkeby.....Supervisor, Accounting Section
A. G. Pillen.....Chief, State Fund Bureau
Peter J. Strizich.....Supervisor, Claims Section
Barnett H. Stevens.....Supervisor, Underwriting Section
C. J. Woods.....Chief, Compliance Bureau
B. J. Briggeman.....Chief, Safety and Health Bureau
Andrew J. Kiely.....Special Projects Officer
Margaret Condon.....Executive Secretary

PRINCIPAL ADMINISTRATIVE OFFICE

815 Front Street

Helena, Montana 59601

The Executive Reorganization Act of 1971 placed the Division under the Montana Department of Labor and Industry for administrative purposes only. The Department also includes the Division of Employment Security and the Division of Labor Standards. The Division formed its organizational structure by establishing four distinct bureaus, which in general correspond to the program structure. The following organization chart represents the current organizational structure.



Several sections of the statutes set forth responsibilities or grant authority to the Division of Workmen's Compensation. Primarily, these responsibilities and requirements relate to the compensation of injured employees and the improvement of safe working conditions. The following briefly lists the specific sections of the Revised Codes of Montana, 1947, under which the Division operates:

1. Sections 92-101-1123, Workmen's Compensation Act
2. Sections 92-1310-1368, Occupational Disease Act
3. Sections 92-1401-1406, Rehabilitation of Injured Workmen
4. Sections 41-1708-1733, Montana Safety Act
5. Sections 69-1501-1518, Boiler and Engineers Code
6. Sections 50-101-906. Mine Safety Codes
7. Sections 71-1001-1009, Silicosis Benefits
8. Sections 11-2020 and 2031, Volunteer Firemen's
Compensation Fund

MAJOR ACTIVITIES DURING FISCAL YEAR 1973-74

Administration Program

1. Under the provisions of the Subsequent Injury Fund, the Division certified 44 physically disabled persons to employers for employment and all but one are now gainfully employed.

2. The Division adopted a broad and liberal information policy which provides that all information is considered public unless precluded by other statutes or in conflict with the right of personal privacy.

3. The Workmen's Compensation Advisory Council sponsored six pieces of legislation in the 1974 Legislature. Of these six pieces of legislation, five became law. Included in the legislative changes were:

- (a) Removal of the dependency requirement for widowers so that death benefits are now due equally to widows and widowers.
- (b) Reinstating death benefits to dependent parents, brothers and sisters, and a \$3,000 lump sum payment to nondependent parents.
- (c) An increase in the burial expense allowance from \$500 to \$1,100.
- (d) A clarification of Sections 92-615 and 92-616, R.C.M. 1947, relating to notice, denial and termination of claims and attorney fees allowance.
- (e) An amendment to the Occupational Disease Act removing certain burdensome fee requirements.

A proposal to allow the Division to adopt an attorney fee schedule in all workmen's compensation cases did not pass. The Division was also instrumental in reducing statutory social security offsets, thereby increasing benefits to injured workers. In addition, the statutory offset in death cases was deleted and a fund was established to grant widows supplemental compensation in cases where the social security offset was taken in the previous year.

4. A new Coal Mine Safety Act met with the approval of the Legislature. The Division proposed this Act after an extensive study of the coal mine safety laws in Montana by an advisory council consisting of labor and industry members. The new Act now covers both surface and underground mining of coal and will protect all individuals in the coal mining industry who may be subject to mining hazards while working in the industry.

5. The Rehabilitation Unit of the Division served 743 industrial injury cases. It increased the number of cases referred to the Rehabilitative Services Division of the Department of Social and Rehabilitative Services from 291 to 387, and 95 injured employees were rehabilitated and returned to work. The rehabilitation committees, established in Great Falls, Missoula and Billings, reviewed and recommended various follow-up solutions for 80 industrial injury cases.

6. Through the cooperation of the U. S. Bureau of Labor Statistics and the Occupational Safety and Health Administration, the Division developed statistics more comparable to other states, enabling us to identify industries needing concentrated safety efforts.

7. The Division held 46 meetings with approximately 3,000 employers and other groups on mandatory coverage under the Workmen's Compensation Act.

8. Increased emphasis was directed toward improved internal procedures and systems. The Division initiated the development of a new data processing system to better accommodate operational needs, established procedures to better control accounts receivable and to improve the system for notification to claimants of settlement awards.

9. The Hearings Unit ruled on 173 cases during the year. This compares to the 167 heard in the previous year. Of the total (173), 20 were Plan I cases, 110 were Plan II cases, and 43 were Plan III cases.

State Fund Program

1. Due to the law requiring mandatory coverage passed in the 1973 session, enrollment in the State Fund increased from 8,173 in July, 1973, to 16,249 in June, 1974. The following is an analysis of that increase in light of the inclusion of agricultural workers under the Act:

<u>Analysis</u>	<u>Agricultural</u>	<u>Non-Agricultural</u>
Net enrollment increases	85%	15%
Total present enrollment	50%	50%

As shown above, farms and ranches accounted for 85% of the increase in enrollment during Fiscal Year 1974, and in fact, brought agriculture's participation in the Fund to about 50% of the total number of firms covered.

2. This program, in concert with the Compliance Program, established

pain clinics in Billings and Missoula to evaluate the seriously injured and to recommend procedures to alleviate their condition. The Billings pain clinic evaluated 60 people since it was established in August, 1973. Of these, one-third returned to work and the remainder are either still under treatment or could not be helped. Missoula's pain clinic, since its establishment in March 1974, evaluated about 20 injured employees.

3. In November, 1973, an upper extremity clinic was established in Missoula to evaluate and recommend treatment of arm and hand injuries.

Compliance Program

1. Program personnel conducted six claims workshops in major cities of Montana to explain to employers and insurance adjusters the legislative changes affecting workmen's compensation coverage and other matter concerning the administration of the Workmen's Compensation Act.

2. The program processed and reviewed a record 14,568 accidents during Fiscal Year 1974. In addition, program personnel provided more detailed supervision and assistance to both insurance adjusters and injured employees.

3. The program administered a general fund appropriation of \$623,003 for operations and payment of benefits related to silicosis. Of this amount, \$610,001 was paid in benefits to silicosis claimants and \$10,752 was expended for personal services and operating expenses (the remaining balance reverted to the general fund). There were 281 silicosis claimants as of June 30, 1974.

Two significant statutory changes affected the silicosis program:

(1) Effective July 1, 1973, the benefit program was increased from \$158.50 to \$175.00 per month, and (2) the legislature passed a bill effective March 14, 1974 providing for the transfer of a deceased claimant's benefit payment to the surviving spouse.

Safety and Health Program

1. Under the grant agreement with the U. S. Department of Labor, six safety compliance officers performed 1,011 safety inspections, and the industrial hygienist performed 78 health inspections. This grant agreement terminated at the end of the fiscal year because the time expired for the passage of legislation enabling the State to assume full enforcement responsibility.

2. Using the Federal Occupational Safety and Health Administration's standards as a guide, program personnel performed 413 advisory inspections on establishments throughout the state, which gave the owners of these establishments an opportunity to voluntarily correct violations before a federal inspection was performed.

3. Using the existing State Safety and Health Standards, 297 mandatory inspection were performed.

4. The program submitted a new coal mine safety and health law to the Legislature, which passed and will be effective January 1, 1974. As a result, the Coal Mine Advisory Council is presently working on safety and health standards for the industry.

5. The Division entered into a subcontract with the Butte Vocational

Training School to train coal mining and prospective coal mining personnel in the areas of safety and health. Through the use of a mobile classroom, the Vocational Training School conducts an on-site 40 hour course at no cost to the students.

6. The Mining Section inspectors conducted 238 inspections of mines, 9 first aid courses for 184 persons, 21 safety courses for 179 persons, and 249 general safety meetings for 985 persons.

7. The Training Section conducted 121 meetings and courses throughout the state in an effort to familiarize employees, employers and other interested persons with the requirements of the Federal Occupational Safety and Health Act, and the standards promulgated under that law. A total of 2,443 persons attended these sessions.

8. There were 174 advisory inspections conducted in the establishments of state and local government.

Comparative Summary of Plan I, II, and III

The Workmen's Compensation Act of Montana provides employers three methods of obtaining workmen's compensation coverage:

- 1) Plan I, or self insurance, is allowed if the firm can prove its solvency and financial ability to pay compensation and medical benefits provided for in the Act.
- 2) Plan II, or coverage by a private insurance company, is obtained by an employer through application to the insurance company. Under this plan the firm insures its liability to pay the statutory compensa-

tion and medical benefits with an insurance company authorized to transact such business in Montana.

- 3) Plan III, or coverage by the State Fund, is obtained through application to the State Fund Bureau of the Division. For firms enrolled with the State Fund, premiums paid are held in trust in behalf of the firms and are used to pay benefits to injured employees.

The following table compares the overall activity of the three plans for the last two fiscal years.

COMPARATIVE SUMMARY TABLE OF PLANS I, II AND III

<u>PLAN I - SELF-INSURANCE</u>	<u>1972 - 1973</u>	<u>1973 - 1974</u>
Number of employers enrolled	71	68
*Gross annual payroll	\$191,416,246	\$204,189,456
Number of work injuries reported	3,216	2,966
Number of claims filed	729	748
Occupational disease cases reported	3	7
Compensation benefits paid	\$910,991	\$1,237,971
Medical & burial benefits paid	\$669,130	\$719,957
Subsequent injury fund payments	\$500	\$5,000
 <u>PLAN II - PRIVATE CARRIERS</u>	 <u>1972 - 1973</u>	 <u>1973 - 1974</u>
Number of employers enrolled	8,243	9,641
*Gross annual premium	\$9,807,059	\$9,716,901
Number of work injuries reported	11,366	13,884
Number of claims filed	1,825	2,023
Occupational disease cases reported	2	8
Compensation benefits paid	\$3,199,444	\$3,378,455
Medical & burial benefits paid	\$2,427,718	\$2,038,357
Subsequent injury fund payments	\$6,500	\$15,000
 <u>PLAN III - STATE FUND</u>	 <u>1972 - 1973</u>	 <u>1973 - 1974</u>
Number of employers enrolled	8,173	16,249
Gross annual premium	\$9,475,148	\$14,727,626
Number of work injuries reported	9,239	10,247
Number of claims filed	1,578	1,785
Occupational disease cases reported	1	7
Compensation benefits paid	\$4,417,333	\$3,957,966
Medical & burial benefits paid	\$1,724,685	\$2,060,343
Subsequent injury fund payments	\$3,500	\$18,000

*Figures shown on calendar year basis.



DIVISION FINANCIAL REPORT

DIVISION FINANCIAL REPORTS

INTRODUCTION

The following financial statements reflect the financial activity and condition of the Division for the fiscal year ending June 30, 1974. They include four types of statements, i.e., Balance Sheets, Statements of Changes in Fund Balance, Statement of Receipts and Program Cost Statement. The statements report the financial activity for each fund and each accounting entity within the fund, administered by the Division or from which the Division has received an appropriation from the Legislature. However, the accounting entity for the State Insurance Fund is excluded from the statements. The financial reports for the State Insurance Fund are shown in the next section of this report.

Balance Sheets

These statements reflect the status of the funds as of June 30, 1974. The first Balance Sheet summarizes all funds and the following Balance Sheets reflect the status of each accounting entity within the fund. As shown by these statements the Division administered or received appropriations from four funds, i.e., General, Earmarked, Federal and Private Revenue and Agency funds. Within each of these funds separate accounting entities were established for different purposes; therefore, the balance sheets for each

fund show the status of the several accounting entities.

The Division received appropriations to pay operating expenses from the Administration, Loss Adjustment, Mining, Occupational Safety and Health and Statistics accounting entities in addition to a small general fund appropriation to pay operating expenses relative to silicosis benefits. The Division also received appropriations to pay statutory benefits from the General Fund and Volunteer Firemen's Fund. The remaining accounting entities are administered by the Division, but require no separate appropriations.

Statements of Changes in Fund Balances

These statements show the activity of each fund and the accounting entities within each fund during the period from July 1, 1973 to June 30, 1974. The statements show the receipts and disbursements and the effect on the beginning and ending balances.

Statement of Receipts

All funds with the exception of the General Fund, received revenue collected by the Division from outside sources. Disbursements can not be made until the Division collects and deposits these receipts in the proper fund. This statement identifies, by source of revenue, the receipts collected during the fiscal year.

Program Cost Statement

As previously discussed, the Division operates four major programs; Administration, State Fund, Compliance and Safety and Health. This program structure was established on July 1, 1974 to better account for the

financial activities of the Division. During the fiscal year ending June 30, 1974, budgeting and accounting data were recorded and reported under the old program structure. However, to better relate program costs with the previous discussions in this report, we allocated costs attributable to fiscal year 1974 to the new program structure. The Program Cost Statement reflects this allocation.

ALL FUNDS					
BALANCE SHEET					
June 30, 1974					
	General Fund	Earmarked Revenue Fund	Federal Private Revenue Fund	Federal Private Grant Clearance Fund	Agency Fund
<u>ASSETS</u>					
Cash in Treasury	\$ 0	\$ 354,217	\$79,631	\$ 9,887	\$ 14,389
Cash in Bank	294	0	0	0	0
Accounts Receivable:					
Dishonored Checks	0	0	0	918	0
Advances	2,206	0	0	0	0
Bonds Held in Trust	0	0	0	0	7,490,000
Federal Securities - Par	0	180,000	0	0	35,000
Other Investments - Par	0	721,000	0	0	90,000
Amortized Premium	0	3,254	0	0	56
Continuing Appropriation	127,504	0	0	0	0
Deferred Gains	0	0	0	0	40
Transfers to STIP	0	9,403	0	0	40,557
Encumbered Appropriations	107	0	0	0	0
TOTAL ASSETS	\$130,111	\$1,267,874	\$79,631	\$10,805	\$7,670,042
<u>LIABILITIES</u>					
Accrued Expenditures	\$ 107	\$ 100,137	\$ 9,230	\$ 0	\$ 0
Advances	0	0	0	0	0
Bonds	0	0	0	0	7,490,000
Unaccumulated Bond Discount	0	2,110	0	0	251
Stale Dated Warrant	0	2	0	0	0
Uncleared Collection	0	0	0	10,805	0
Cancelled Warrant Clearing	0	1,780	326	0	7
Contingent Revolving Fund	2,500	0	0	0	0
Fund Balance	127,504	1,163,845	70,075	0	179,784
TOTAL LIABILITIES & FUND BALANCE	\$130,111	\$1,267,874	\$79,631	\$10,805	\$7,670,042

EARMARKED REVENUE FUND

BALANCE SHEET
June 30, 1974

<u>ASSETS</u>	<u>Division Adminis- tration</u>	<u>Loss Adjust- ment</u>	<u>Volunteer Firemen</u>
Cash in Treasury	\$46,667	\$36,751	\$ 270,799
Federal Securities - Par	0	0	180,000
Other Investments - Par	0	0	721,000
Amortized Premiums	0	0	3,254
Transfer to STIP	<u>0</u>	<u>0</u>	<u>9,403</u>
TOTAL ASSETS	<u>\$46,667</u>	<u>\$36,751</u>	<u>\$1,184,456</u>
—			
<u>LIABILITIES</u>			
Accrued Expenditures	\$69,895	\$30,242	\$ 0
Unaccumulated Bond Discounts	0	0	2,110
Stale Dated Warrants	2	0	0
Cancelled Warrant Clearing	890	613	277
Fund Balance	<u>(24,120)</u>	<u>5,896</u>	<u>1,182,069</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$46,667</u>	<u>\$36,751</u>	<u>\$1,184,456</u>

FEDERAL AND PRIVATE REVENUE FUND

BALANCE SHEET
June 30, 1974

<u>ASSETS</u>	<u>Mining</u>	<u>Occupational Safety & Health</u>	<u>Statistics</u>
Cash in Treasury	\$14,290	\$65,088	\$ 253
TOTAL ASSETS	<u>\$14,290</u>	<u>\$65,088</u>	<u>\$ 253</u>
—			
<u>LIABILITIES</u>			
Accrued Expenditures	\$ 1,772	\$ 6,200	\$ 1,258
Cancelled Warrant Clearing	0	326	0
Fund Balance	<u>12,518</u>	<u>58,562</u>	<u>(1,005)</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$14,290</u>	<u>\$65,088</u>	<u>\$ 253</u>

AGENCY FUND

BALANCE SHEET
June 30, 1974

<u>ASSETS</u>	<u>Insurance Liquidation</u>	<u>Occupational Disease</u>	<u>Subsequent Injury</u>
Cash in Treasury	\$ 0	\$ 1,256	\$13,133
Bonds Held in Trust	7,490,000	0	0
Federal Securities - Par	0	0	35,000
Other Investments - Par	0	84,000	6,000
Amortized Premiums	0	0	56
Deferred Gains	0	0	40
Transfer to STIP	0	7,313	33,244
TOTAL ASSETS	<u>\$7,490,000</u>	<u>\$92,569</u>	<u>\$87,473</u>
<u>LIABILITIES</u>			
Bonds Held in Trust	\$7,490,000	\$ 0	\$ 0
Unaccumulated Bond Discount	0	251	0
Cancelled Warrant Clearing	0	7	0
Fund Balance	0	92,311	87,473
TOTAL LIABILITIES & FUND BALANCE	<u>\$7,490,000</u>	<u>\$92,569</u>	<u>\$87,473</u>

ALL FUNDS

STATEMENT OF CHANGES IN FUND BALANCE Period Ending June 30, 1974

	General Fund	Earmarked Revenue Fund	Federal & Private Revenue Fund	Agency Fund
FUND BALANCE, 7-1-73	\$ 0	\$1,086,856	\$ 56,616	\$138,822
ADDITIONS:				
1973-74 Appropriation	813,723	0	0	0
Receipts				
Licenses & Permits	0	21,798	0	0
Service Fees	0	427,560	0	0
Investment Earnings	0	81,617	0	10,814
Fiduciary and Trust	0	103,238	0	0
Grants	0	0	292,882	0
Transfers	0	1,275,000	0	37,000
Adjustments	0	4,358	5,850	97
TOTAL ADDITIONS & FUND BALANCE	<u>\$813,723</u>	<u>\$3,000,427</u>	<u>\$355,348</u>	<u>\$186,733</u>
DEDUCTIONS:				
Support Expenditures	\$ 0	\$1,783,642	\$283,026	\$ 1,564
Benefits	683,789	23,697	0	4,876
Adjustments	0	29,244	2,247	509
Reversion	2,430	0	0	0
TOTAL DEDUCTIONS	<u>\$686,219</u>	<u>\$1,836,583</u>	<u>\$285,273</u>	<u>\$ 6,949</u>
FUND BALANCE June 30, 1974 1)	<u>\$127,504</u>	<u>\$1,163,844</u>	<u>\$ 70,075</u>	<u>\$179,784</u>

1) Continuing appropriation
for widow benefits.

EARMARKED REVENUE FUND

STATEMENT OF CHANGES IN FUND BALANCE Period Ending June 30, 1974

	<u>Adminis- tration</u>	<u>Loss Adjustment</u>	<u>Volunteer Firemen's</u>
FUND BALANCE, July 1, 1973	\$ (43,342)	\$110,097	\$1,020,101
ADDITIONS:			
<u>Receipts</u>			
Licenses & Permits	21,798	0	0
Service Fees	427,560	0	0
Investment Earnings	0	0	81,617
Fiduciary and Trust	0	0	103,238
Transfers	450,000	825,000	0
Adjustments	<u>1,404</u>	<u>0</u>	<u>2,954</u>
TOTAL ADDITIONS & FUND BALANCE	<u>\$857,420</u>	<u>\$935,097</u>	<u>\$1,207,910</u>
DEDUCTIONS:			
Support Expenditures	\$853,656	\$924,986	\$ 0
Benefits	0	0	23,697
Adjustments	<u>22,885</u>	<u>4,215</u>	<u>2,144</u>
TOTAL DEDUCTIONS	<u>\$881,541</u>	<u>\$929,201</u>	<u>\$ 25,841</u>
FUND BALANCE, June 30, 1974	<u>\$ (24,121)</u>	<u>\$ 5,896</u>	<u>\$1,182,069</u>

FEDERAL AND PRIVATE REVENUE FUND

STATEMENT OF CHANGES IN FUND BALANCE Period Ending June 30, 1974

	<u>Mining</u>	<u>Occupational Safety & Health</u>	<u>Statistics</u>
FUND BALANCE, July 1, 1973	\$ (26)	\$ 56,187	\$ 455
ADDITIONS:			
Grants	99,686	159,309	33,887
Adjustments	<u>232</u>	<u>5,184</u>	<u>434</u>
TOTAL ADDITIONS & FUND BALANCE	<u>\$99,892</u>	<u>\$220,680</u>	<u>\$34,776</u>
DEDUCTIONS:			
Support Expenditures	\$85,127	\$162,118	\$35,781
Adjustments	<u>2,247</u>	<u>0</u>	<u>0</u>
TOTAL DEDUCTIONS	<u>\$87,374</u>	<u>\$162,118</u>	<u>\$35,781</u>
FUND BALANCE, June 30, 1974	<u>\$12,518</u>	<u>\$ 58,562</u>	<u>\$(1,005)</u>

AGENCY FUND

STATEMENT OF CHANGES IN FUND BALANCE
Period Ending June 30, 1974

	<u>Insurance Liquidation</u>	<u>Occupational Disease</u>	<u>Subsequent Injury</u>
FUND BALANCE, July 1, 1973	\$ 1,564	\$90,961	\$46,297
ADDITIONS:			
Investment Earnings	0	6,183	4,631
Transfers	0	0	37,000
Adjustments	<u>0</u>	<u>43</u>	<u>54</u>
TOTAL ADDITIONS & FUND BALANCE	<u>\$ 1,564</u>	<u>\$97,187</u>	<u>\$87,982</u>
DEDUCTIONS:			
Support Expenditures	\$ 1,564	\$ 0	\$ 0
Benefits	0	4,876	0
Adjustments	<u>0</u>	<u>0</u>	<u>509</u>
TOTAL DEDUCTIONS	<u>\$ 1,564</u>	<u>\$ 4,876</u>	<u>\$ 509</u>
FUND BALANCE, June 30, 1974	<u><u>\$ 0</u></u>	<u><u>\$92,311</u></u>	<u><u>\$87,473</u></u>

STATEMENT OF RECEIPTS

Period Ending June 30, 1974

<u>RECEIPTS</u>	<u>Source</u>	<u>Class</u>
Licenses and Permits:		
Boiler Engineer	<u>\$ 21,798</u>	\$ 21,798
Service Fees:		
Plan I Assessments	\$ 62,290	
Plan II Assessments	339,698	
Boiler Inspections	18,413	
Occupational Disease Filings	5,742	
Miscellaneous	<u>1,417</u>	427,560
Investment Earnings:		
U. S. Treasury Obligations	\$ 12,113	
Public Utilities	46,280	
Short Term Investment Pool	2,154	
Industrial Bonds	6,300	
R. R. Equipment Trust	7,000	
Commercial Paper	<u>18,585</u>	92,432
Fiduciary and Trust:		
Firemen's Contribution	<u>\$103,238</u>	103,238
Grants:		
Federal H. E. W.	<u>\$292,882</u>	292,882
Plan III Transfers		<u>1,312,000</u>
TOTAL RECEIPTS		<u>\$2,249,910</u>

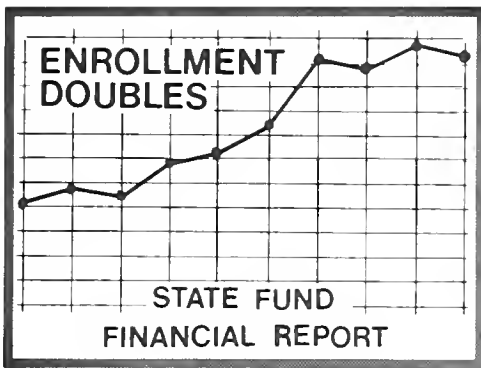
PROGRAM COST STATEMENT

Period Ending June 30, 1974

<u>COSTS</u>	<u>Adminis- tration Program</u>	<u>State Fund Program</u>	<u>Compli- ance Program</u>	<u>Safety & Health Program</u>
Personal Services:				
Salaries	\$325,900	\$211,248	\$119,055	\$271,134
Benefits	<u>37,303</u>	<u>26,472</u>	<u>14,907</u>	<u>35,802</u>
Sub-Total	<u>\$363,203</u>	<u>\$237,720</u>	<u>\$133,962</u>	<u>\$306,936</u>
Operating Expenses:				
Contracted Services	\$129,306	\$397,079	\$ 19,184	\$ 29,421
Supplies & Materials	13,353	22,119	6,217	16,464
Communications	12,712	28,109	9,662	14,826
Travel	32,486	31,774	1,895	95,659
Rent	19,056	29,611	12,426	17,815
Utilities	1,666	2,299	974	1,726
Repair & Maintenance	4,010	3,482	811	1,483
Other Expenses	<u>4,263</u>	<u>12,199</u>	<u>111</u>	<u>1,607</u>
Sub-Total	<u>\$216,852</u>	<u>\$526,672</u>	<u>\$ 51,280</u>	<u>\$179,001</u>
Equipment	<u>\$ 6,617</u>	<u>\$ 10,416</u>	<u>\$ 2,212</u>	<u>\$ 42,364</u>
Benefits	<u>\$ 64,780</u>	<u>\$ 4,876</u>	<u>\$618,239</u>	<u>\$ 0</u>
TOTAL PROGRAM COSTS	<u>\$651,452</u>	<u>\$779,684</u>	<u>\$805,693</u>	<u>\$528,301</u>

SUMMARY OF FUNDING

General Fund	\$ 63,216	\$ 0	\$620,573	\$ 0
Earmarked Revenue Fund	550,891	774,808	185,120	281,060
Federal & Private Revenue	35,781	0	0	247,241
Agency Fund	<u>1,564</u>	<u>4,876</u>	<u>0</u>	<u>0</u>
TOTAL FUNDING	<u>\$651,452</u>	<u>\$779,684</u>	<u>\$805,693</u>	<u>\$528,301</u>



STATE FUND FINANCIAL REPORTS

INTRODUCTION

The State Insurance Fund provides to Montana employers a third alternative to obtain workmen's compensation coverage as required by law. The Division maintains a separate accounting entity within the agency fund to record the premiums collected and the medical and compensation benefits paid. The financial reports which follow include an estimated amount of earned premiums due as of June 30, 1974 which will be collected during the current fiscal year. This constitutes a minor deviation from prior years' statements in that these statements did not recognize the estimated uncollected premium due. This change was made based on a recommendation of the actuary, who reviewed the financial status of the fund. In addition the investments are shown at cost or book value as opposed to par value as was reported in previous years' reports. We believe that this is a more acceptable method of reporting investments.

Three Financial reports are included:

Balance Sheet

The balance sheet reflects the financial status of the assets, liabilities, reserves and fund balance accounts, at June 30, 1974. Included in this statement is the "Estimated Uncollected Premium Due," which was calculated

for statement presentation purposes to more accurately reflect the status of the fund at year's end.

Statement of Operations and Dividend Calculations

This statement reflects in summary form the operations of the Fund during the fiscal year ending June 30, 1974. The statement also shows the calculation to arrive at the amount available for dividends, which will be distributed to the eligible employers during the latter part of the fiscal year 1974-75.

Statement of Changes in Liabilities and Reserves

This statement identifies the increases and decreases in liabilities and reserves as a result of the year's operation or based on recommendation of the actuary. The increases in the compensation, medical and medical only liabilities are the direct result of operations during the year. The increases and decreases in the other accounts are based on recommendations by the actuary.

Since the number of employers enrolled in the State Fund nearly doubled during the fiscal year, the amount of estimated liabilities and reserves must be increased. Permanent Lifetime Reserve will gradually be decreased because the need for this reserve has been eliminated by statutory changes. Lifetime benefits are considered when compensation reserves are established. The Security Valuation Reserve is being eliminated because this reserve was established to merely account for the difference between the book and par value of the investments. Since investments are now shown

at book this account is not needed.

As in the past, the State Fund engaged an actuarial firm to assist in the establishing of rates, and to review and comment on the financial operations and status of the Fund. The comments and opinions of this firm are shown after the financial statements.

STATE INSURANCE FUND BALANCE SHEET June 30, 1974		
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash	\$ 187,500	
Premium Due & Billed	80,789	
Estimated Uncollected Premium Due	3,108,981	
Total Current		\$ 3,377,270
<u>Investments</u>		
U. S. Government Bonds	\$ 3,247,000	
Certificates of Deposit	200,000	
Corporate Bonds	22,186,711	
Mortgages	750,168	
Total Investments		26,383,879
<u>Fixed Assets</u>		142,007
Certificates of Deposit Held in Trust		54,806
TOTAL ASSETS		<u>\$29,957,962</u>
<u>LIABILITIES, RESERVES & FUND BALANCE</u>		
<u>Liabilities</u>		
Advance Deposits	\$ 1,919,673	
Contingent Dividends Payable	14,753	
Dividends Payable	1,707,229	
Certificates of Deposit Held in Trust	54,806	
Compensation Benefits	10,024,038	
Medical Benefits	4,077,567	
Medical Only Benefits	600,000	
Total Liabilities		\$18,398,066
<u>Reserves</u>		
Claims Incurred but Unreported	\$ 3,975,000	
Reopened Claims	660,138	
Claims Expense	500,000	
Catastrophe	1,250,000	
Total Reserves		6,385,138
<u>Fund Balance</u>		
Provision for Claims Fluctuation	\$ 1,533,000	
Provision for Medical Cost Fluctuation	500,000	
Provision for Permanent Lifetime	600,000	
Provision for Rate Stabilization	589,000	
Adjustment Prior Year Income Received in Current Year	1,952,758	
Total Fund Balance		<u>5,174,758</u>
TOTAL LIABILITIES, RESERVES & FUND BALANCE		<u>\$29,957,962</u>

STATE INSURANCE FUND
STATEMENT OF OPERATIONS AND DIVIDEND CALCULATION

Period Ending June 30, 1974

INCOME

Premium Earned	\$14,727,626
Interest	1,497,918
Other	<u>54,613</u>

TOTAL INCOME	\$16,280,157
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CLAIMS EXPENSE

Compensation	\$ 3,957,966
Medical	<u>2,060,343</u>

TOTAL CLAIMS EXPENSE	(6,018,309)
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OTHER EXPENSES

Vocational Rehabilitation	\$ 44,173
Administrative Assessment	450,000
Loss Adjustment	<u>825,000</u>

TOTAL OTHER EXPENSES	<u>(1,319,173)</u>
----------------------	--------------------

INCOME LESS EXPENSES	\$ 8,942,675
----------------------	--------------

Liability and Reserve Increases	<u>(6,507,906)</u>
---------------------------------	--------------------

\$ 2,434,769

Adjustment Decreasing Investments from Par to Book Value	<u>(727,540)</u>
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AVAILABLE FOR DIVIDEND	<u>\$ 1,707,229</u>
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STATE INSURANCE FUND
STATEMENT OF CHANGES IN LIABILITIES AND RESERVES
June 30, 1974

<u>Description</u>	<u>Amount</u>
<u>Increases:</u>	
Compensation	\$3,831,035
Medical	1,690,460
Medical Only	116,411
Unreported Claims	900,000
Claims Expense	100,000
Catastrophe	<u>500,000</u>
Total	\$7,137,906
<u>Decreases:</u>	
Permanent Lifetime	\$ (100,000)
Security Valuation	<u>(530,000)</u>
Net Change	<u>\$6,507,906</u>

COATES, HERFURTH & ENGLAND
CONSULTING ACTUARIES
320 CALIFORNIA STREET
SAN FRANCISCO 94104
TELEPHONE (415) 433-4440

October 31, 1974

Workmen's Compensation Division
Department of Labor and Industry
State of Montana
815 Front Street
Helena, Montana 59601

Gentlemen:

We have examined the methods and procedures utilized by the Workmen's Compensation Division of the Department of Labor and Industry of the State of Montana in the determination of its liabilities for compensation, hospital, medical and other benefits as of the close of its fiscal year June 30, 1974, under Compensation Plan Number 3 as set forth in the Workmen's Compensation Act. Our examination included a determination of the appropriateness of the underlying methods and procedures, such review of the basic records as we considered necessary in the circumstances and an analysis of the results so obtained.

The resulting liabilities for benefits to be paid, so determined, may be summarized as follows:

Compensation Liability for approved and pending claims	\$ 10,024,038
Medical Liability for approved and pending claims	4,077,567
Medical only liability	600,000
Liability for incurred but unreported claims	3,975,000
Liability for reopened claims	660,138
Provision for permanent Disability and Life	<u>600,000</u>
Total	<u>\$ 19,936,743</u>

In addition to the above amounts for claim liabilities, the Fund is maintaining a claim fluctuation reserve of \$1,533,000 together with combined reserves for catastrophe and medical cost fluctuations of \$1,750,000.

In our opinion, the above claim liabilities are based upon the benefits provided under the Workmen's Compensation Act of the State of Montana. Further, in our opinion, on the basis of the information and procedures referred to above, and upon our understanding that, in the opinion of the auditors of the Division that the procedures of the Division are adequate to properly establish and maintain records required for this purpose, such liabilities in the aggregate are reasonable and appropriate as of that date, and that the Fund is in a sound actuarial and financial position.

By following this procedure each year and by reviewing and adjusting the rates each year to reflect changing benefits and experience, in our opinion the Fund can continue to be maintained on a sound actuarial and financial basis.

Yours respectfully,

COATES, HERFURTH & ENGLAND
Consulting Actuaries

By G. Frank Waites
G. Frank Waites

GFW:wcb



WORK INJURY REPORT

WORK INJURY REPORTS

INTRODUCTION

In past years the Division prepared an extensive statistical publication titled "Work Injuries in Montana". For fiscal year 1974, this section of the report includes a summary version of the prior statistical publication. Statistics reported in past years, but not included this year, are still available and will be provided to individuals or organizations upon request.

This section of the report shows various analyses of the industrial work injuries reported during the fiscal year. The tables and graphs depict the nature and cause of fatalities or injuries by major industry and other relevant information. The statistics should be of value and interest to employers and insurance companies and others concerned with preventing industrial accidents.

Adequate and proper safety programs reduce the number of accidents and thus benefit both employers and employees. The Division's safety and health program personnel are available to assist employers in their safety programs and to perform advisory inspections, using federal standards, at the employer's place of business. This assistance is provided upon request.

FATALITIES

Montana industry reported 51 compensable work related fatalities this year and the total could reach 54, pending determination of compensability of three cases still in question. There were 56 fatalities in the previous fiscal year. Montana's death rate per 10,000 workers was 2.6, and did not change from the previous year.

The table below provides an overview of work related fatalities in Montana during fiscal year 1974 by plan.

CAUSE OF DEATH WITHIN MAJOR INDUSTRY

July 1, 1973 - June 30, 1974

<u>INDUSTRY</u>	<u>PLAN I</u>	<u>PLAN II</u>	<u>PLAN III</u>	<u>TOTAL</u>
<u>AGRICULTURE & AGRICULTURAL SERVICES</u>				
Crushed by falling silage -----	0	1	0	1
Crushed by grain truck -----	0	1	0	1
<u>MINERAL EXTRACTION</u>				
Fall from elevation -----	1	0	0	1
Struck by chute door -----	1	0	0	1
Truck accident -----	0	1	0	1
<u>CONTRACT CONSTRUCTION</u>				
Fall from elevation -----	0	3	1	4
Truck accident -----	0	1	0	1
Strain from heavy lifting -----	0	0	1	1
Loader overturned -----	0	0	1	1
<u>MANUFACTURING</u>				
Loader accident -----	1	0	1	2
Electrocution -----	0	1	0	1
Struck by tree -----	0	1	1	2
Stroke -----	0	1	0	1
Heart attack -----	0	0	3	3
Truck accident -----	0	0	1	1
Crushed by pipes -----	0	0	1	1
Drowned in lake -----	0	0	1	1
<u>TRANSPORTATION, COMMUNICATIONS,</u>				
<u>PUBLIC UTILITIES</u>				
Electrocution -----	2	0	0	2
Burned in explosion -----	1	0	0	1
Truck accident -----	0	3	2	5
<u>TRADE</u>				
Heart Attack -----	1	1	1	3
Airplane crash -----	0	1	0	1
Truck accident -----	0	2	0	2
Gunshot wound -----	0	1	1	2
Auto accident -----	0	1	0	1
Struck by machinery -----	0	0	1	1
<u>FINANCE, INSURANCE, REAL ESTATE</u>				
Drowned in pool -----	0	1	0	1
<u>SERVICES</u>				
Lawn mower accident -----	0	1	0	1
Auto accident -----	0	1	0	1
Forklift overturned -----	0	1	0	1
Inhalation of poison gas -----	0	0	1	1
<u>GOVERNMENT</u>				
Gunshot wound -----	0	0	2	2
Crushed under bulldozer -----	0	0	1	1
Struck by moving auto -----	0	0	1	1
TOTAL	<u>7</u>	<u>23</u>	<u>21</u>	<u>51</u>

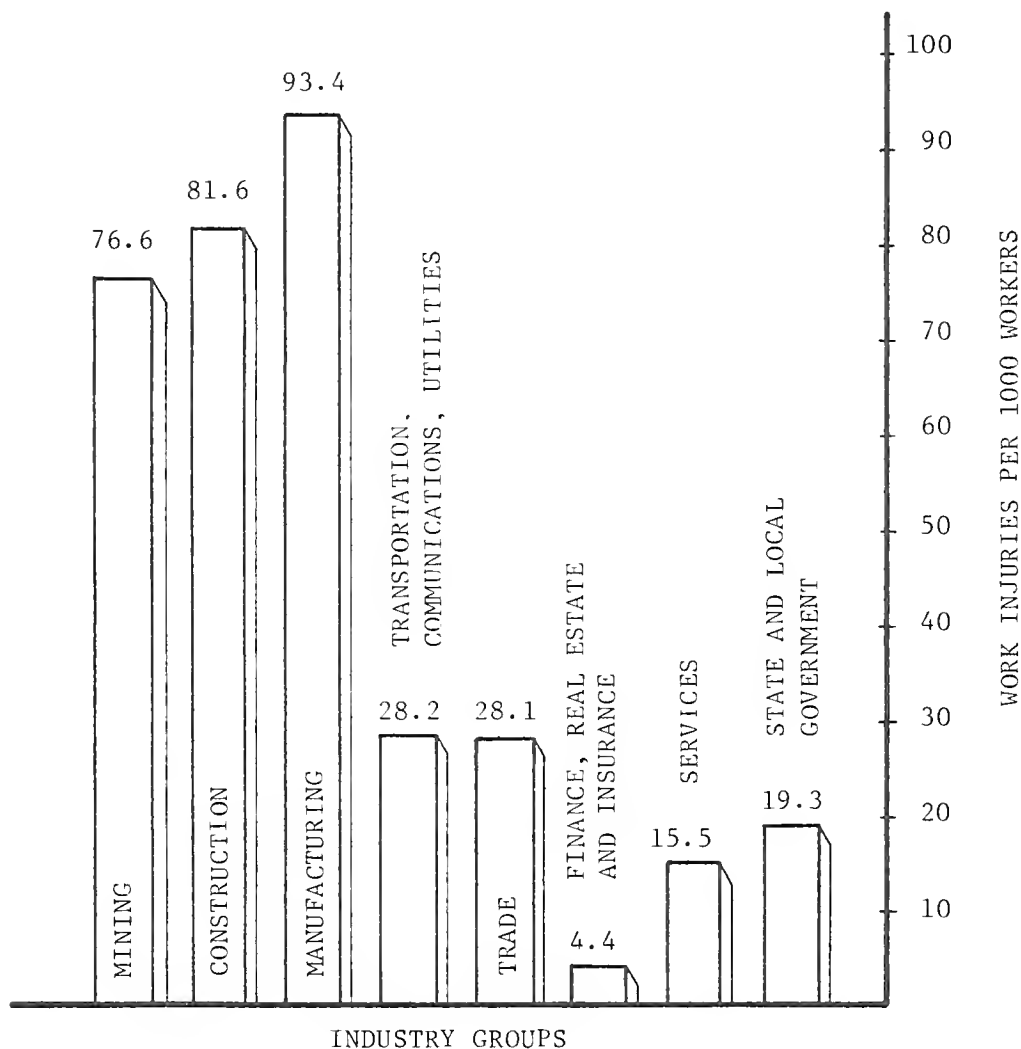
DISABLING AND NONDISABLING INJURIES

Disabling injury refers to an industrial accident when the injured employee does not return to work for his next scheduled work shift. Conversely, the nondisabling injury is an injury which does not result in lost time beyond the day of the accident. The following table reflects Montana industry's experience concerning disabling and nondisabling injuries for the last twelve years. The marked increase in total injuries is, for the most part, due to inclusion of the agricultural sector which, prior to July 1, 1973, was not required to obtain coverage under the Workmen's Compensation Act.

DISABLING AND NONDISABLING INJURIES

<u>YEAR</u>	<u>TOTAL INJURIES</u>	<u>DIS- ABLING</u>	<u>PERCENT OF TOTAL</u>	<u>NONDIS- ABLING</u>	<u>PERCENT OF TOTAL</u>	<u>UNDETER- MINED</u>	<u>PERCENT OF TOTAL</u>
1962-63	21,005	5,968	28.4	14,672	70.0	365	1.6
1963-64	21,393	6,202	29.0	14,744	68.9	447	2.1
1964-65	22,032	6,227	28.3	15,324	69.5	481	2.2
1965-66	22,949	6,178	27.0	16,233	70.7	538	2.3
1966-67	22,767	6,329	27.8	15,880	69.8	558	2.4
1967-68	22,799	6,590	28.9	15,491	67.9	718	3.2
1968-69	23,195	6,661	28.7	15,826	68.2	708	3.1
1969-70	22,476	6,549	29.1	14,914	66.4	1,013	4.5
1970-71	21,986	5,832	26.5	14,872	67.7	1,282	5.8
1971-72	22,439	6,180	27.5	15,005	66.9	1,254	5.6
1972-73	23,821	6,927	29.1	15,938	66.9	956	4.0
1973-74	27,097	8,394	31.0	17,733	65.4	970	3.6

Excluding agricultural industries there were 35.1 total injuries per 1000 employees. This compares to 32.7 during the previous year. The chart below compares the total injuries per 1000 employees of the various industrial groups.



NOTE - Chart does not include agricultural industry because total employment in this group is not available.

NATURE AND OCCURRENCE OF WORK INJURIES IN MONTANA

The following narratives and tables reflect data on the nature and occurrence of work injuries as reported to and compiled by the Division. The Division classifies and codes reported accidents in accordance with uniform federal guidelines. As of August 1, 1974, employers and insurance companies reported a total of 27,097 industrial accidents applicable to the fiscal year ending June 30, 1974.

Nature of Injury

The nature of injury identifies the injury in terms of its principal physical characteristics.

<u>DESCRIPTION</u>	<u>PERCENT</u>	<u>TOTAL</u>
Amputation, loss of, loss of use of	.4	104
Burns or scalds	3.9	1,069
Cuts, lacerations, punctures, etc.	27.6	7,452
Strains, sprains, dislocations	23.7	6,418
Crushing injuries	1.4	393
Fractures	7.4	2,006
Hernia	.8	214
Industrial disease	.9	250
Bruises, contusions	13.8	3,726
Heart disease, strain, stroke, cerebral hemorrhage, etc.	.2	58
Foreign body in eye	8.1	2,204
Other	11.8	3,203
	<u>100%</u>	<u>27,097</u>

Part of Body

The part of body identifies the part of the injured person's body directly affected by injury.

<u>DESCRIPTION</u>	<u>PERCENT</u>	<u>TOTAL</u>
Eyes	11.1	3,024
Head, face and neck	9.1	2,461
Back and spine	16.6	4,512
Trunk	7.0	1,887
Arms	8.8	2,379
Hands and wrists	10.6	2,860
Fingers	15.1	4,095
Legs	9.6	2,603
Feet and ankles	8.1	2,197
Toes	1.7	458
Body N.O.C. or not stated	2.3	621
	<u>100%</u>	<u>27,097</u>

Accident Type

The accident type identifies the event which directly resulted in the injury.

<u>DESCRIPTION</u>	<u>PERCENT</u>	<u>TOTAL</u>
Struck by or striking against	38.6	10,434
Caught in, on or between	7.0	1,908
Falls and/or slips	19.2	5,204
Involving moving motor vehicles	2.4	641
Strain or over-exertion	15.4	4,186
Contact with temperature extremes	2.6	710
Inhalation, absorption, swallowing	.8	222
Contact with electric current	.2	43
Explosion, flash-back, etc.	.7	189
Foreign body in eye	9.6	2,612
Heart Attack, heart disease or strain	.2	62
Other and not stated	3.3	886
	<u>100%</u>	<u>27,097</u>

Source of Injury

The source of injury identifies the object, substance, exposure or bodily motion which directly produced or inflicted the injury.

<u>DESCRIPTION</u>	<u>PERCENT</u>	<u>TOTAL</u>
Machines	3.6	971
Elevators	.0	11
Hoisting apparatus	.8	231
Conveyors	.4	114
Vehicles	6.0	1,622
Hand tools	18.3	4,953
Chemicals, hot or injurious substances and dusts	6.9	1,840
Working surfaces	17.7	4,809
Ladders	1.2	323
Containers	2.8	768
Trees, logs and lumber	5.4	1,466
Boilers and pressure vessels	.2	51
Pumps and prime-movers	.2	58
Mechanical power transmission apparatus	.9	240
Electrical apparatus	.4	104
Flying particles, unassigned	7.0	1,906
Animals	2.4	655
Motion or pressure	13.7	3,698
Environmental conditions	.2	60
Miscellaneous	11.9	3,217
	<u>100%</u>	<u>27,097</u>

Industry Group

These are the standard industrial classifications and provide an overview of experience by industry.

<u>DESCRIPTION</u>	<u>PERCENT</u>	<u>TOTAL</u>
Agriculture and agricultural services	7.8	2,112
Mineral extraction	4.0	1,071
Contract construction	15.3	4,136
Manufacturing	26.2	7,098
Transportation, communications and utilities	5.4	1,474
Trade	20.6	5,585
Finance, insurance and real estate	.5	147
Service	9.3	2,513
Government	10.8	2,934
Other and not stated	.1	27
	<u>100%</u>	<u>27,097</u>

WORK INJURIES BY AGE AND SEX

The following table compares the work injuries for Fiscal Year 1974 by age and sex. The average age of injured workers years in total was 30.2; 29.8 years for males and 34.6 years for females.

WORK INJURIES BY AGE AND SEX

<u>AGE GROUP</u>	<u>MALE</u>	<u>FEMALE</u>	<u>BOTH</u>
15-19	2,270	399	2,669
20-24	5,002	620	5,622
25-29	3,756	322	4,078
30-34	2,578	246	2,824
35-39	1,999	261	2,260
40-44	1,724	273	1,997
45-49	1,520	270	1,790
50-54	1,347	277	1,624
55-59	1,195	288	1,483
60-64	727	178	905
65-69	193	29	222
70-74	64	10	74
75 and over	21	8	29
Not reported	<u>1,348</u>	<u>172</u>	<u>1,520</u>
Total	<u>23,744</u>	<u>3,353</u>	<u>27,097</u>
Percent of Total	<u>87.6%</u>	<u>12.4%</u>	

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11